

**CALIFORNIA
STATE
SENATE**



SENATOR BILL MORROW

**CAPITOL OFFICE
ROOM 4048
(916) 445-3731**

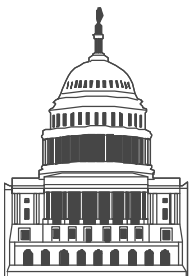
**ORANGE COUNTY
OFFICE
(949) 489-9838**

**SAN DIEGO COUNTY
OFFICE
(760) 434-7930**

www.sen.ca.gov/morrow

**Wade Teasdale
Chief of Staff**

**Carole Marks
District Coordinator**



MAY 2, 2002

Senator Bill Morrow



Capitol Update

CALIFORNIA CONFORMS TO FEDERAL TAX CUTS

President Bush's Economic Growth and Tax Relief Reconciliation Act of 2001 included broad-based income tax cuts as well as changes to the laws related to retirement savings plans. On April 25th, the California State Legislature finally passed two bills conforming state law to the retirement savings provisions of the federal act. Those bills, SB 657 (Scott) and AB 1122 (Corbett), have been sent to the Governor for his signature, and will apply to your tax returns for the 2001 tax period.

The following chart contrasts the new changes to California law to prior state law:

Item	California's Conformity to Federal Tax Law	Prior State Law
Traditional IRA contribution limits	Increased from \$2000 to \$3000 in '02-'04, increasing to \$5000 in '08 and \$500 annually thereafter	\$2,000
Educational IRA contribution limits	Increased from \$500 to \$2000 Permits corporate contributions	\$500 No corporate contributions
Roth IRA contributions	Increased from \$2000 to \$3000 in 02-04, increasing to \$5000 in '08 and by \$500 annually thereafter	\$2,000
401(k) & 403(b) Plans	\$11,000 increasing to \$15,000 in '06 and indexed thereafter	\$10,500
457 Plan	\$11,000 going to \$15,000 in '06 and indexed thereafter	\$8,500
401(k) – 457 coordination	\$11,000 in <u>each</u> one	\$10,500 limit in total
Over 50 catch-up	\$500 extra for '02-'05 \$1000 in '06 and after	Not allowed
Portability	Rollovers among 457, 403(b) and qualified plans Rollover of IRAs to workplace plans Rollover of after-tax plan contributions	No extensive rollovers
Defined contribution plans, PERS	Increases contributions to \$40,000 with indexing in \$1000 amounts	\$35,000 limit
Retirement/SocSec	Early retirement at 62 Lowers normal retirement to 65	Retirement age set per Social Security
Dependent Care Credit	From \$2,400 to \$3,000 for one child From \$4,800 to \$6,000 for multiple children	\$907 per child (conformity would raise this to \$1,323)

If you know someone who would like to subscribe to **Senator Morrow's Capitol Update** or if you wish to unsubscribe, go to: <http://republican.sen.ca.gov/web/38/pubs.asp?sub=1>

To learn more about **Senator Morrow** or your state government, visit Senator Morrow's website at: <http://www.sen.ca.gov/morrow>

To learn more about urban runoff and storm water, go to:
<http://republican.sen.ca.gov/web/38/News/stormwater.asp>

For transcripts of the Senate's investigation of the energy crisis, visit:
<http://republican.sen.ca.gov/web/38/news/select.asp>

Useful tips to combat the **high cost of gasoline** in California, please visit:
<http://republican.sen.ca.gov/web/38/news/gasoline.asp>

Great Links

concerning urban runoff and storm water...

California League of Cities

<http://www.cacities.org/>

Coalition for Practical Reform

<http://www.citiessavejobs.com/>